



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: April 14, 2015

DATE: March 25, 2015
TO: Board of County Commissioners
FROM: Paul McArthur, Comptroller
328-2563, pmcarthur@washoecounty.us

THROUGH: Joey Orduna Hastings, Assistant County Manager
328-2000, jhastings@washoecounty.us

SUBJECT: Recommendation that the Board of County Commissioners approve quarterly transfers from the Washoe County, Nevada OPEB Trust Fund to the Washoe County Health Benefits Fund for the purpose of reimbursing the County for the cost of retiree health insurance premiums. (All Commission Districts)

SUMMARY

Nevada Revised Statutes (NRS) 287.017 allows local governments to establish an irrevocable trust fund for the purpose of providing retirement benefits to employees and their spouses and dependents. The requirements for requests for transfers of money from such a trust fund to the local government are set forth in Nevada Administrative Code (NAC) 287.792. Specifically, a request by the governing body pursuant to NAC 287.792 must include:

- An explanation of the manner in which the proposed transfer will be used to fulfill the requirements of the benefits plan of the local government;
- A copy of the budget of the local government for the current fiscal year, which demonstrates that expenditures for retirement benefits are authorized by the governing body pursuant to an agreement between the local government and its employees;
- Minutes of the meeting of the governing body at which the transfer was proposed; and
- The signature of the chairperson of the governing body.

Washoe County Strategic Objective supported by this item: Sustainability of our financial, social and natural resources.

PREVIOUS ACTION

- Through negotiations with Washoe County employee associations, the Board of County Commissioners agreed to prefund the retiree health benefit program annually at the actuarially-determined current cost beginning July 1, 1996.

AGENDA ITEM #

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- June 24, 1997 – the Board of County Commissioners approved a resolution creating the Pre-Funded Retiree Health Benefits Fund to accumulate sufficient funds to help pay future retiree health benefits. The Board of County Commissioners approved budgeted transfers from the General Fund to the Pre-Funded Retiree Health Benefits Fund each fiscal year from 1997 – 2009.
- On May 11, 2010 the Board of County Commissioners created the Washoe County, Nevada OPEB Trust Fund, an irrevocable trust which replaced the Pre-Funded Retiree Health Benefits Fund. Funds totaling approximately \$73 million which had been accumulated in the Pre-Funded Retiree Health Benefits Fund were transferred to the Trust in fiscal year 2010.
- Annually from fiscal year 2010 to present – The Board of County Commissioners has approved transfers from the General Fund to the Trust. Funds accumulated in the Trust may only be used to provide for post-employment welfare benefits, as set forth in the Trust Agreement.

BACKGROUND

Since the Trust's inception, established practice has been for Comptroller's Department staff to prepare the County's request for reimbursement to the Health Benefits Fund on a quarterly basis, for the OPEB Board of Trustees' approval. Recent changes to the County's Finance staffing structure, and to the membership of the OPEB Board of Trustees, led the Trustees to comprehensively review the Trust Agreement and the Administrative Rules & Procedures of the Board of Trustees. Upon review, it was noted that the Trustees had not been requiring the County to follow the procedures outlined in section 5.1 of the Trust Agreement for transfer of funds from the Trust to the County. It was agreed that this situation should be remedied, and the Trustees directed staff to draft a request for reimbursement that complies with the Trust Agreement.

Legal counsel for the Trust has advised that the Board of County Commissioners (BCC) may grant approval in advance for quarterly reimbursement to the Health Benefits Fund from the OPEB Trust as directed by the Comptroller's office, with subsequent ratification by the BCC.

FISCAL IMPACT

Reimbursements for the period from 7/1/2013 through 12/31/2014 have averaged \$2,000,000 per quarter. Quarterly reimbursement from the OPEB Trust to the Health Benefits Fund ensures that the County is reimbursed on a routine and timely basis for the cost of retiree health insurance premiums. These routine payments in turn ensure a steady and reliable cash flow in the Health Benefits Fund, allowing the fund to meet its fiscal obligations to health plan participants.

RECOMMENDATION

It is recommended that the Board of County Commissioners approve a proposal authorizing quarterly reimbursement from the Washoe County, Nevada OPEB Trust to the Washoe County Health Benefits Fund as directed by the Comptroller's office. All such reimbursement requests will be brought before the Board of County Commissioners at least annually for their subsequent review and ratification.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be to "move to authorize quarterly reimbursement from the Washoe County, Nevada OPEB Trust to the Washoe County Health Benefits Fund as directed by the Comptroller's office."